

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 IO-10 NEA-09

OPIC-03 LAB-04 SIL-01 PA-01 PRS-01 USIA-06 XMB-02

FEA-01 /125 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 5058

INFO AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 01524

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: STANDING GROUP ON OIL MARKET (SOM)

MEETING, JANUARY 14-15

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1. SUMMARY. SOM CONSIDERED INDUSTRY WORKING PARTY (IWP) REPORT ON IMPLEMENTATION OF OIL MARKET SECTIONS OF IEA AGREEMENT. GROUP AGREED ON RELATIVELY INFORMAL PROCEDURES FOR COMPANY-COUNTRY CONSULTATION. U.S. SUCCESSFULLY OPPOSED EFFORTS TO ENSURE THAT AGGREGATION OF INDIVIDUAL COMPANY DATA BE DONE BY IEA SECRETARIAT, RATHER THAN HOME GOVERNMENTS. THIS AND SOME MINOR ISSUES MAY STILL NEED TO BE DEFINITELY RESOLVED. IWP PLANS TO MEET INTENSIVELY OVER NEXT TWO WEEKS TO FLESH OUT DETAILED PROPOSALS FOR CHAPTER 5 REPORTING, WITH SPECIAL EMPHASIS ON ESTABLISHING EARLY CRUDE OIL PRICE REPORTING SYSTEM. NEXT SOM MEETING PLANNED FOR FEBRUARY 3-4, WHEN DRAFT REPORT TO GOVERNING BOARD (GB) WILL BE CONSIDERED, ALONG WITH REVISED IWP PAPER. END SUMMARY

2. INDUSTRY WORKING PARTY (IWP)  
SOM DECIDED TO SUGGEST TO GB THAT IWP DISSOLUTION FOLLOWING COMPLETION OF ITS INITIAL WORK WOULD NOT BE IN IEA INTERESTS, SINCE THERE COULD BE A NUMBER OF SITUATIONS WHERE IWP MIGHT BE HELPFUL; IT SHOULD BE KEPT IN PLACE AND CALLED BACK INTO SESSION WHEN NEEDED. CHAIRMAN HOPPER (CANADA) THOUGHT RETENTION OF IWP ON NON-INSTITUTIONAL, AD HOC BASIS WOULD PROBABLY REMOVE RESERVATION EXPRESSED AT LAST GB MEETING ABOUT KEEPING IWP AS PERMANENT FEATURE.

3. FRAMEWORK FOR CONSULTATION  
UK SUGGESTED, AND U.S. ACCEPTED, LANGUAGE IN COVERING NOTE TO PROCEDURES WHICH WOULD ACCOMMODATE UK'S EARLIER INSISTENCE ON CONSULTATIONS INVOLVING MORE THAN ONE COMPANY. AS RESULT SOM REPORT TO GB WILL CARRY SENTENCE ON CONSULTATION PROCEDURE WHICH WILL STATE, "SOM RECOGNIZED THAT SPECIAL ARRANGEMENTS WOULD NEED TO BE MADE IF THE GROUP WISHED TO CONSULT WITH MORE THAN ONE COMPANY AT A TIME."

4. ON POSSIBILITY OF COMPANY AND GOVERNMENT APPROVAL OF AGENDA FOR CONSULTATION, GROUP DIFFERED WITH IWP SUGGESTION. MANY DELS POINTED OUT THAT COMPANIES WERE CONFIDENTIAL

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NOT OBLIGED TO CONSULT AND IF THEY DID THEY WOULD NORMALLY TALK TO THEIR HOME GOVERNMENTS ABOUT AGENDA ANYWAY. UK, FRG AND OTHERS ALSO THOUGHT IT UNSEEMLY TO HAVE EXPLICIT GOVERNMENT VETO POWER OVER CONSULTATION. AS COMPROMISE U.S. DEL SUGGESTED "CONSULTATION WITH COMPANIES AND HOME GOVERNMENTS." HOPPER PUT FORWARD FOLLOWING LANGUAGE, WHICH WAS ADOPTED BY SOM OVER OBJECTION OF BRITISH, WHO THOUGHT IT STILL INAPPROPRIATE:

"PRIOR TO CIRCULATION, THE AGENDA WILL BE SUBMITTED TO  
THE OIL COMPANY AND TO ITS HOME GOVERNMENT FOR COMMENT."

5. IWP SUGGESTION THAT ITS LIST OF SUBJECTS WHICH  
WOULD BE APPROPRIATE OR INAPPROPRIATE FOR CONSULTATION  
SHOULD BE PART OF PROCEDURES WAS CONSIDERED UNACCEPTABLE  
BY LARGE MAJORITY SOM. U.S. DEL NOTED THAT, EVEN  
THOUGH DISCARDED BY SOM AS PART OF PROCEDURE, COMPANY  
INDICATIONS WOULD BE PERMANENT PART OF PROCEEDINGS AND  
SHOULD BE REFERRED TO BY SOM AS USEFUL REMINDER OR  
INDICATOR OF COMPANY VIEWS, AND OF EFFORTS BY IWP TO  
MAKE IEP'S PROVISIONS ON PROTECTION OF COMPETITION AND  
PROPRIETARY INFORMATION EXPLICIT.

6. U.S. DEL OBJECTED TO COMPANY PROPOSAL THAT PRO-  
CEDURES INDICATE THAT FIRMS BE PERMITTED TO PROPOSE  
DIRECT CONSULTATION WITH IEA, INDICATING IT MIGHT

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 01524

POSE LEGAL AND OTHER PROBLEMS TO PERMIT COMPANIES TO  
CONVOKE SOM FORMALLY FOR CONSULTATIONS, AND THAT IN  
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PRACTICE COMPANIES WOULD BE HEARD IF THEY HAD INFORMA-  
TION THEY WISHED TO IMPART. AFTER THIS VIEW WAS  
ENDORSED BY BELGIANS AND OTHER DELS, COMPANY PROPOSAL  
WAS DROPPED.

#### 7. CRUDE PRICE REPORTING SYSTEM

CHAIRMAN SINGLED OUT CRUDE PRICES AS FIRST TOPIC ON  
WHICH GOVERNMENTS AND COMPANIES WILL BE ASKED TO DEVELOP  
PROCEDURES ASAP. QUESTIONS TO BE RESOLVED BY SOM  
INCLUDE, INTER ALIA, CRUDES TO BE USED AS REPRESENTATIVE,  
AND BREAKDOWN OF DIFFERENCE BETWEEN FOB AND CIF COSTS,  
ESPECIALLY WHERE TRADING COMPANIES PLAY A ROLE AND  
DIFFERENCE IS THEREFORE MORE THAN FREIGHT. HOPPER AND  
OTHERS HAD QUESTIONS ABOUT MECHANICS OF  
REPORTING SYSTEM. SACHS (CHAIRMAN IWP-EXXON) EXPLAINED  
THAT IWP ENVISIONS THAT IMPORTERS OF RECORD AND NOT  
PARENT FIRMS WOULD REPORT CRUDE PRICE DATA TO THEIR  
GOVERNMENTS. JAPANESE, UNDER INSTRUCTIONS, ASKED ABOUT  
POSSIBILITY OF OBTAINING SPECIFIC COMPANY PRICE DATA ON  
SALES IN MARKETS OUTSIDE JAPAN. HOPPER POINTED OUT  
THAT THIS HIGHLY UNLIKELY; HOWEVER, MEMBER COUNTRIES  
MIGHT OBTAIN ADDITIONAL PRICE DATA THROUGH COMPANY  
CONSULTATION PROCESS. ALSO, INFORMATION SYSTEM WOULD  
GIVE EACH MEMBER A RANGE OF PRICES IN IEA COUNTRIES  
(BUT NOT BY COMPANY) FOR GENERAL COMPARISON. SOME DELS  
ALSO PRESSED FOR IWP GUIDELINES ON PRODUCT AS WELL AS  
CRUDE; HOWEVER, CHAIR POINTED OUT THAT CRUDE REPORTING  
SYSTEMS SHOULD HAVE PRIORITY AND PRODUCT COULD BE  
DEALT WITH LATER, PERHAPS INITIALLY AT NEXT SOM MEETING.

8. AGGREGATION OF COMPANY DATA

IWP REPORT RECOMMENDS THAT INDIVIDUAL COMPANY DATA BE AGGREGATED BY THE HOME GOVERNMENT TO ASSURE CONFIDENTIALITY. IN DISCUSSION OF THIS ITEM, A LARGE NUMBER OF DELEGATIONS, WITH THE ENCOURAGEMENT OF THE CHAIRMAN AND THE SECRETARIAT, INSISTED THAT HOME GOVERNMENTS SUBMIT INDIVIDUAL COMPANY DATA TO THE SECRETARIAT FOR AGGREGATION. BRITISH DEL SAID HE COULD ACCEPT THIS IF COMPANIES AGREED. OTHERWISE UK WOULD HAVE LEGAL DIFFICULTIES. US DEL STRONGLY AND REPEATEDLY OPPOSED MAJORITY VIEW, CITING LANGUAGE AND CONFIDENTIAL

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INTENT OF IEP AGREEMENT, AS WELL AS RESPONSIBILITY OF U.S. GOVERNMENT TO INTERPRET U.S. LAWS AND COMPETITION POLICY WHICH COULD NOT BE DELEGATED TO SECRETARIAT OR OIL COMPANIES. AFTER CHAIRMAN SUGGESTED THIS MATTER SHOULD BE TAKEN UP BY GOVERNING BOARD, HE ULTIMATELY RETREATED, AND INDICATED THAT CONCERNS MIGHT BE MET IF HOME GOVERNMENTS AGGREGATE DATA ONLY TO EXTENT ABSOLUTELY NECESSARY TO PROTECT CONFIDENTIALITY. IN LIGHT OF RESERVATIONS EXPRESSED BY NUMBER OF DELS WITH RESPECT TO LEGAL AND PHYSICAL CONSTRAINTS GOVERNMENTS MAY FACE IN COLLECTING AND FORWARDING IN TIMELY FASHION DATA SUPPLIED BY COMPANIES, U.S. DEL SUGGESTED, AND CHAIR REQUESTED ALL DELS TO COMPLY, THAT DELS REVIEW PROBLEM IN OWN COUNTRIES AND COME PREPARED TO DISCUSS AT NEXT SOM MEETING.

9. TERMS OF ACCESS

IWP REPS WERE QUESTIONED CLOSELY ABOUT POSITION THAT WITH RESPECT TO THE TERMS OF CRUDE ACCESS ONLY TOTAL VOLUMES OF CRUDE LIFTED COULD BE PROVIDED. FRG ASKED IN PARTICULAR WHETHER DOCUMENTS RELATING TO SPECIFIC CRUDE CONTRACTS COULD BE MADE AVAILABLE ESPECIALLY IF JOINT CONSUMER-PRODUCER NEGOTIATIONS ARE TO BE UNDERTAKEN. U.S. POINTED OUT THAT DATA ON CRUDE ACCESS MIGHT NOT BE AVAILABLE UNDER ARTICLE 27 BECAUSE OF THE DATA'S PROPRIETARY NATURE.

10. NEXT STEPS

SOM WILL MEET AGAIN IN PARIS 1500 HRS. FEBRUARY 3. HOPPER PLANS TO HAVE DRAFT SOM REPORT TO GB AVAILABLE FOR DISCUSSION AT THAT TIME. IN INTERIM IWP WILL BE MEETING JANUARY 30 TO DRAW UP REVISED REPORT FOR SOM SESSION, AND EACH IEA MEMBER WILL BE PREPARING REPORT ON LEGAL OR PHYSICAL CONSTRAINTS THAT MIGHT LIMIT THEIR ABILITY TO FURNISH SECRETARIAT WITH DATA DESIRED UNDER GENERAL INFORMATION SYSTEM.

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## Message Attributes

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**Copy:** SINGLE  
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**Disposition Event:**  
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**TAGS:** ENRG, OCON, OECD  
**To:** STATE  
**Type:** TE  
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